

**DEPARTMENT OF TRANSPORTATION****AUDITS AND INVESTIGATIONS**

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October 29, 2009

Sally DeGeorge  
Chief Financial Officer  
Ventura County Transportation Commission  
950 County Square Dr., Suite 207  
Ventura, CA 93003

Re: Ventura County Transportation Commission – Indirect Cost Rate Proposal  
File No: P1591-0048

Dear Ms. DeGeorge:

We have reviewed the Ventura County Transportation Commission's (VCTC) request to bill the California Department of Transportation (Department) for indirect costs for fiscal year (FY) 2009/10. We also reviewed the Federal Transit Administration (FTA) approval letter dated June 13, 1996, approving the FY 1996/97 Cost Allocation Plan for the VCTC. It is our understanding that FTA relies on FTA Circular 5010.1D in its approval of indirect cost allocation plans (ICAP). The FTA interpretation of Title 2, Part 225 of the Code of Federal Regulations (2 CFR, Part 225), allows FTA to extend its approval of cost allocation plans to future periods.

We found that the presentation of labor costs in VCTC's ICAP deviates from the requirements of 2 CFR, Part 225 because indirect labor is not separately classified, but instead all labor costs are combined in a single line item. VCTC states that it has been its practice to pay administrative (indirect) salary with local funds instead of incorporating those costs into the indirect rate. Presently, VCTC is in the process of implementing a comprehensive agency-wide budget, and as part of this effort, the VCTC is considering the inclusion of indirect labor costs in the ICAP for FY 2010/11. The proposed change will be reviewed by the VCTC governing board in the spring of 2010. However, since, FTA is VCTC's cognizant agency, the Department defers to FTA the approval of VCTC's ICAP and will allow VCTC to bill indirect costs during FY 2009/10 at a rate of 22.04 percent of total salary and benefits.

Please retain a copy of this letter with your indirect cost rate computation. Copies of this letter were sent to the Department's District 7, Division of Accounting, FTA, and the Federal Highway Administration. If you have any questions, please contact Barbara Nolan, Auditor, at (916) 323-7880 or Amada Maenpaa, Audit Manager, at (916) 323-7868.

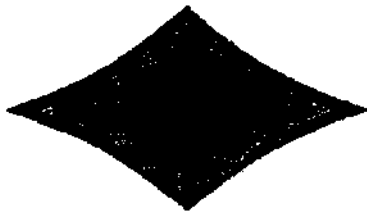
This report is intended for the information of VCTC, Department Management, the California Transportation Commission and the Federal Highway Administration. However, this report is a matter of public record and will be included on the "Reporting Transparency in Government" website.

Sincerely,

MARYANN CAMPBELL-SMITH  
Chief, External Audits

Attachments

- c: Brenda Bryant, Director, Financial Services, Federal Highway Administration  
Sue Kiser, Director, Planning and Air Quality, Federal Highway Administration  
Leslie T. Rogers, Regional Administrator, Federal Transit Administration  
James Ogbonna, Branch Chief, Division of Mass Transportation  
Jenny Tran, Associate Accounting Analyst, Local Assistance Accounting Branch,  
Division of Accounting  
David Saia, Senior Transportation Engineer, Policy Development and Quality  
Assurance, Division of Local Assistance  
Kirk Cessna, Local Assistance Engineer, District 7  
Morteza Estebari, Associate Transportation Planner, District 7



## **VENTURA COUNTY TRANSPORTATION COMMISSION**

950 County Square Dr., Suite 207 Ventura, California 93003 (805) 642-1591 fax (805) 642-4860

### **Certificate of Indirect Costs**

This is to certify that I have reviewed the indirect costs rate proposal submitted herewith and to the best of my knowledge and belief:

- 1) All costs included in this proposal for Fiscal Year 2009/2010 to establish billing or final indirect costs rates for July 1, 2009 to June 30, 2010 are allowable in accordance with the requirements of the Federal award(s) to which they apply and OMB Circular A-87, "Cost Principles for State and Local Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.
- 2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

Government Unit: Ventura County Transportation Commission

Signature:

Name of Official: Darren M. Kettle

Title: Executive Director

Date of Execution:

6-8-09